

Agenda item:

[No.]

CABINET

On 19th July 2011

Report Title. CYPS CAPITAL PROGRAMME UPDATE

Report of Peter Lewis, Director of Children and Young People's Service

Signed :

Contact Officer : Maggie Shields, Head of Capital Finance CYPS

Wards(s) affected: All

Report for: Key Decision

1. Purpose of the report

- 1.1. To update Cabinet on the capital programme for Children and Young People's Service and request approval to budget virements within the 2011/12 programme.

2. Introduction by Cabinet Member

- 2.1. I am very pleased to see the progress made on the BSF programme, this has been a great success story for the borough and brought huge improvements to the learning environment to thousands of our students.
- 2.2. Like most London boroughs we are facing an increase in pupils seeking primary school places and we will be expanding a number of schools to ensure there are sufficient places for new pupils.
- 2.3. The advent of Free Schools and Academies makes for a more complex picture. We are having to start work on consultations with parents and schools on expansions but this may turn out to be unnecessary, depending on the outcome of the current round of Free School applications. We won't know the outcome of this until October but consultation needs to start before this.

2.4. In addition, there is a level of uncertainty within the programme arising from changes to Government policy, especially from March 2012 onwards. The future of the PFI scheme is still unclear.

3. Recommendations

3.1. To note progress on BSF projects and the proposed formal closure of the programme in September 2011.

3.2. To note the requirement to provide additional primary school places by September 2013 as set out in the annual Pupil Place Planning Report (also on this Cabinet Agenda)

3.3. To agree that £400,000 of the Pupil Place Planning budget within the current approved 11/12 CYPS capital programme is used to provide for the detailed design of 4 primary school expansion projects in order to provide new pupil places.

3.4. To note that the BSF Board has agreed that the lifecycle works at secondary school sites detailed at Appendix C should be funded from BSF resources already in the programme, and that the balance will be funded within existing approved planned use of the lifecycle fund.

3.5. To approve the capital virements set out in Appendix D which will update the 2011/12 programme and reflect the decisions above, subject to Cabinet approval of capital carry forward requests.

3.6. To note current issues and risks relating to funding of the programme in the future

4. Reason for recommendation(s)

4.1. To ensure that sufficient primary school places are provided in the borough as required from 2011 to 2013.

4.2. To ensure that the approved CYPS capital programme is updated to reflect projected expenditure based on up to date delivery progress against milestones.

4.3. Due to changes government policy there is uncertainty about future funding streams to support capital investment beyond March 2012. Members need to be appraised of the risks and how these are being managed.

5. Summary

5.1. Cabinet approved the 2011/12 CYPS capital programme on 8th February 2011 as part of the consideration of the Council's overall budget package.

5.2. CYPS have undertaken a strategic review of current primary school provision against prospective demand, which concluded in April. A delivery plan for new primary school places has been developed and put forward for recommendation in the latest Pupil Place Planning Report.

5.3. The proposed delivery plan for new primary school places includes the proposed

expansion of four primary schools by September 2013. Budgetary provision for the design costs is required in the current year to allow the projects to proceed on timetable for opening in September 2013.

5.4. CYPS have also completed a full condition survey of all local authority primary schools. The outcomes from this survey have informed the prioritisation of necessary condition and modernisation works planned for future years. However further work on all priority condition projects is dependant on future funding announcements from DfE.

5.5. The government is still reviewing its policy in relation to capital investment in schools, which means there is significant uncertainty about funding support for future investment beyond March 2012.

5.6. The report considers the main risks and issues affecting the CYPS future capital programme which will require commitments on all planned projects to be carefully managed to protect the Council's financial position and minimise the risk of abortive design costs.

6. Introduction

6.1. The CYPS Capital Programme was approved by Cabinet on 8th February 2011. The programme comprises the Building Schools for the Future programme which is delivering strategic investment in the secondary school estate, and the Primary and other CYPS capital programme, which covers planned investment in the Council's primary schools and other service assets. A summary of the originally approved programme is shown at Appendix A.

7. Building Schools for the Future

7.1. The programme has been running since 2005, with the majority of construction works being delivered between 2008 and 2011. The programme is now drawing to a close, with 11 of the 12 school projects now completed, and the last remaining project at Woodside High due to finish in October 2011. The construction element of the programme will be formally closed with the completion of this last project.

7.2. The investment totalling £214m has addressed the majority of suitability, sufficiency and condition issues within the secondary estate, and also helps to fund the managed service ICT contract which continues until September 2013. The BSF Board have approved the allocation of remaining contingency funds held within the programme to address additional lifecycle maintenance projects within the secondary school estate. The future lifecycle maintenance of the secondary estate is considered further in section 9 of this report.

7.3. The BSF programme has been successfully managed within budget, and lessons learned from the programme are being effectively transferred into the management of other projects within the CYPS capital programme. The financial close of the BSF programme will conclude with the end of the 1 year defects liability periods for each project, and the final settlement of all outstanding

retention and other fee claims. Financial close of the construction programme is therefore scheduled for October 2012.

7.4. The tables at Appendix B and D set out the expected expenditure on the programme in 2011/12, including budgets carried forward from 2010/11 and virements proposed for approval.

8. Primary Capital Programme

8.1. Existing projects in the approved programme which are currently under construction include the integrated Learning Campus at Broadwater Farm, the expansion of Rhodes Avenue Primary (2FE to 3FE), and the replacement of life expired temporary buildings at Mulberry Primary school.

8.2. The main need for new investment in the primary school estate over the next 3 years will be driven by the requirement to ensure sufficient primary school places are provided across the borough to meet demand pressures, and that the existing school estate is maintained in a fit for purpose condition.

Primary School Places

8.3. During 2010/11 CYPS conducted a strategic review of primary place provision to determine a preferred delivery plan for the provision of new places to meet recognised demand pressures. This process is described more fully in the annual Pupil Place Planning report (also on this Cabinet agenda). The review considered options against a range of service criteria, including value for money and affordability.

8.4. The outcome of this process is a recommended delivery programme for the next 3 years, involving provision of temporary "bulge" classes at various schools, and also the permanent physical expansion of 4 existing schools to accommodate an additional form of entry at each. The four schools proposed for expansion are Alexandra Primary, Belmont (Infant and Junior), Lancasterian and Welbourne. The Pupil Place Planning report also requests approval to commence statutory consultation for those projects that require it.

8.5. The approved 2011/12 CYPS capital programme includes a current year budget to cover the cost of proposed "bulge" class projects, and an indicative budget for future years to cover the requirement for permanent expansions. In order to ensure that the permanent school places can be delivered in time for opening in September 2013, it is necessary to commence design work in the current financial year and a virement of £400k between these two elements of the pupil place delivery programme is proposed in order to provide the budget for these works.

8.6. There is an element of risk in relation to abortive design costs if we progress the permanent expansion projects ahead of the conclusion of statutory consultation and greater certainty of future government funding streams. However, the Council has a duty to provide places, and if necessary other elements of the future CYPS programme will need to be curtailed in order to prioritise this work.

Primary school estate – condition works

8.7. During 2010/11 all local authority primary schools were surveyed in relation to

condition issues, and the reports have been shared with schools on a web based system so that school governing bodies can take a view on the priorities for their school. The overall results of the surveys show the need for high priority condition works across the estate totalling £70m over the next few years. The detailed reports have been further analysed and subject to a technical review and prioritisation using deprivation factors (% of FSM).

- 8.8. In addition, where schools are scheduled for expansion as proposed, the highest priority condition works at each site have been planned to be addressed as part of the expansion projects.
- 8.9. Whilst the current approved CYPS programme includes an allocation of £1m for planned and reactive condition works during the year, the uncertainty over future funding discussed below means that apart from this budget which will be used to cover the most urgent works across the estate, no further condition related projects are likely to be commissioned prior to January 2012.

Future projects and CYPS assets review.

- 8.10. CYPS is reviewing the current options for the future provision of the Primary PRU service, and whether there are opportunities for an effective co-location of this service with other support services for children being educated outside of mainstream provision or with specific special needs. The options review will conclude by the end of July and may lead to the working up of a new capital investment project. This was signalled in the indicative capital programme for 2012/13 as already approved. Some funding has been set aside as a result of a previous grant award for this area of work. Should CYPS recommend proceeding with a new project, this will be reported through the normal budget management process.
- 8.11. The work undertaken by CYPS during 10/11 to review the pupil place delivery plan, update the condition analysis of the primary estate and review options for future service provision have flagged up the possible release of surplus assets. These will be formally considered as part of the Council's overall accommodation strategy review and asset rationalisation plan.
- 8.12. The tables at Appendix B and D set out the expected expenditure on the primary programme in 2011/12, including budgets carried forward from 2010/11 and virements proposed for approval, and new funding.
- 8.13. New funding in the programme includes both recent funding for specific projects of £258k, plus the residual balances of other grants already received but not previously allocated to specific projects. In addition, to ensure a full picture of forecast capital expenditure, new funding in the programme also includes the current balance of schools devolved capital grant which has not yet been used by schools (£2m). Schools have the freedom to carry forward these balances for up to 3 years.

9. Lifecycle maintenance and future of PFI contract

- 9.1. Lifecycle works are funded from an earmarked reserve established at the point of

suspension of the grouped schools PFI contract. The originally approved CYPS capital budget approved in January 2011 included a total programme for lifecycle works of £200k per annum or £600k over the three year programme, intended to cover only urgent reactive maintenance needs and project management costs.

9.2. As part of the BSF programme, the BSF Board agreed that certain lifecycle works should proceed in order to protect the investment made under the programme, and to be funded from BSF contingency, at a total approved BSF budget contribution of £2.713m. The list of all lifecycle projects currently planned to proceed is set out in Appendix C. The balance of the cost of these projects not being met from within the BSF programme will need to be met from the Lifecycle fund.

9.3. One of the conditions of BSF funding approved by PFS was that the Council should agree proposals about the future maintenance of the Secondary School estate in the light of the currently suspended grouped schools PFI contract. Current government policy in relation to Academy Status of schools also requires specific legal issues to be considered in relation to the contract. Officers are currently reviewing the implications and options for future arrangements. This will be the subject of a separate report prior to firm proposals being agreed with PFS.

10. CYPS programme risks and issues

10.1. The Council's responsibility for managing its school assets and ensuring investment through its Capital programme to provide sufficient, suitable and fit for purpose accommodation in its schools is affected by a number of developing areas of current government policy. A brief summary of the risks and issues is considered in this section.

10.2. The Government's Academies programme is likely to encourage more existing community schools to convert to Academy Status. Academies become their own admission bodies, and also have full responsibility for the operation and on going asset management of all assets transferred to them. The implications for local authority asset planning and capital funding are not yet clear, as the government have yet to announce how they expect the allocation of future funding streams to be managed within local authority or geographic areas.

10.3. Similarly, the government's Free School programme will mean the establishment of new Academy schools. Again, the Free School takes on the responsibility for admissions and asset management. Uncertainty over whether new Free Schools are to be approved mean that the Council is potentially exposed to the risk of abortive development costs for school expansion projects, which may not be required.

10.4. The DfE commissioned Sebastian James to conduct a review of capital funding for schools in July 2010. The review reported in April 2011 and can be found at the following link:

(<http://media.education.gov.uk/assets/files/pdf/c/capital%20review.pdf>)

10.5. In summary the review looked at the issues arising from previous government sponsored investment programmes including BSF, and set out a

number of recommendations for the future including the option of centralised delivery of all school capital investment projects. The formal government response to the review is still awaited, although the DfE recently announced the abolition of Partnerships for Schools, and the transferring of its residual capital funding roles to the new Education Funding Agency. It is not known if the government intends the Local Authority to have a role in agreeing or implementing the allocation of future capital investment for schools (of whatever type) within the borough.

- 10.6. In previous years, capital allocations for future year's investment have been announced and/or confirmed in December of each year. Since 2003/4 the previous government had moved towards giving 3 year indications of allocations, which greatly assisted the planning of longer term investment works. The current uncertainty, and likely return to annually announced allocations makes forward planning much more difficult, and in the short term s likely to lead to a significant slow down in the commissioning and planning of new projects.
- 10.7. The government also appears to have made a policy decision to reduce the level of capital funding which is directly devolved to schools. School allocations of devolved capital funds have been reduced overall to about a third of the levels received in 10/11. This means that schools will have a much reduced capacity to manage their own repairs and asset enhancement projects, and will be more dependant on assistance from the Council to deal with urgent needs.

11. Chief Financial Officer Comments

- 11.1. The report proposes a number of virements within the programme to reflect the proposals in the report. (See Appendix D) Subject to the approval by Cabinet of carry forward budgets from 2010/11 these virements can all be accommodated within the resulting revised programme total for which funding is secure and already approved.
- 11.2. Attention is drawn to the risks in relation to future years funding and the need to carefully manage commitments on the programme so as to protect the Council's overall financial position and avoid abortive costs in developing projects for which full funding is not secure.

12. Head of Legal Services Comments

- 12.1. The Head of Legal Services has been consulted on the content of this report and has no specific comment to make concerning the proposals regarding the capital programme, other than to remind the Cabinet of the duty placed on all local authorities with responsibility for education functions under Section 14 of the Education Act 1996 to secure that sufficient schools for providing primary and secondary education are available for their areas.

13. Equalities & Community Cohesion Comments

13.1 Detailed equalities comment will be provided following the completion of the Equalities Impact Assessment screening tool for the Pupil Place Planning report.

14. Use of appendices /Tables and photographs

Appendix A – Original approved CYPS Capital Programme

Appendix B – Proposed Revised CYPS Capital Programme

Appendix C – Lifecycle Programme details

Appendix D – Summary of carry forward budgets and virements for approval

15. Local Government (Access to Information) Act 1985

15.1. Annual Pupil Place Planning Report (Cabinet Report 19th July 2011)

15.2. Cabinet Report 8th Feb 2011 – Financial Planning